

(2) Sections 406(e) and 407(e) are each amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(3) Section 7701(a)(20) is amended by striking "for the purpose of applying the provisions of section 101(b) with respect to employees' death benefits".

26 USC 101 note. (c) EFFECTIVE DATE.—The amendments made by this section

shall apply with respect to decedents dying after the date of the enactment of this Act.

**SEC. 1403. SIMPLIFIED METHOD FOR TAXING ANNUITY DISTRIBUTIONS UNDER CERTAIN EMPLOYER PLANS.**

(a) GENERAL RULE.—Subsection (d) of section 72 (relating to annuities: certain proceeds of endowment and life insurance contracts) is amended to read as follows:

"(d) SPECIAL RULES FOR QUALIFIED EMPLOYER RETIREMENT PLANS.—

"(1) SIMPLIFIED METHOD OF TAXING ANNUITY PAYMENTS.—

"(A) IN GENERAL.—In the case of any amount received as an annuity under a qualified employer retirement plan—

"(i) subsection (b) shall not apply, and

"(ii) the investment in the contract shall be recovered as provided in this paragraph.

"(B) METHOD OF RECOVERING INVESTMENT IN CONTRACT.—

"(i) IN GENERAL.—Gross income shall not include so much of any monthly annuity payment under a qualified employer retirement plan as does not exceed the amount obtained by dividing—

"(I) the investment in the contract (as of the annuity starting date), by

"(II) the number of anticipated payments determined under the table contained in clause

(iii) (or, in the case of a contract to which subsection (c)(3)(B) applies, the number of monthly annuity payments under such contract).

"(ii) CERTAIN RULES MADE APPLICABLE.—

Rules similar to the rules of paragraphs (2) and (3) of subsection (h) shall apply for purposes of this paragraph.

"(iii) NUMBER OF ANTICIPATED PAYMENTS.—

"If the age of the primary annuitant on the annuity starting date is: The number of anticipated payments is:

Not more than 55 .....	360
More than 55 but not more than 60 .	310

More than 60 but not more than 65 .	260
More than 65 but not more than 70 .	210
More than 70 .....	160.

**(C) ADJUSTMENT FOR REFUND FEATURE**

NOT APPLICABLE. ~~For~~ For purposes of this paragraph, investment in the contract shall be determined under subsection (c)(1) without regard to subsection (c)(2).

"(D) SPECIAL RULE WHERE LUMP SUM PAID IN CONNECTION WITH COMMENCEMENT OF ANNUITY PAYMENTS. ~~If~~ If in connection with the commencement of annuity payments under any qualified employer retirement plan, the taxpayer receives a lump-sum payment ~~t~~